

**Core Management and Budget Skills
for Indonesian Local Governments
Quarterly Report**

July 1, 2003 – September 30, 2003

Prepared for USAID/Jakarta – Office of Democracy and Local Governance

October 21, 2003

International City/County Management Association

SUM IQC Contract No.: LAG-I-00-99-00008-00
Task Order No.: 808 (ICMA 701.012.01.IND)

**“Building Institutions for Good Governance”
Core Management and Budget Skills for Indonesian Local Governments**

USAID Quarterly Report No. 12

July 1, 2003 – September 30, 2003

Table of Contents

I.	Introduction.....	1
II.	Major Accomplishments This Quarter	4
III.	Challenges/Issues of Concern Affecting Implementation and Actions Taken.....	7
IV.	Projected Activities for Next Quarter	8

Annex:

Annex: Monitoring and Evaluation Matrix

I. Introduction

The International City/County Management Association's (ICMA) Building Institutions for Good Governance (BIGG) Program operates under USAID Strategic Objective 10: Decentralized, Participatory Local Government. To this end, it is designed to help USAID meet its four intermediate results (IRs):

- IR 1: Appropriate Environment Established to Enable Effective Local Government
- IR 2: Local Government Capacity Strengthened to Deliver Effective Services
- IR 3: Participation Increased in Local Government Decision-Making
- IR 4: Associations of Local Governments and Officials Established as Advocates

The implementation of the "Core Management and Budget Skills for Indonesian Local Governments" Task Order began on September 30, 2000. This report covers the period July through September 2003 (Quarter 12) and covers the major accomplishments and challenges for the twelfth quarter along with the planned activities for the thirteenth quarter.

II. Major Accomplishments

Field Operations

K2K Model: The Field Operations Team conducted the two-day Workshop B Series for eight satellite local governments in August and four satellite local governments in September 2003, for a total of twelve workshops. The workshops were conducted by the Team Leaders, Local Coordinators, and two staff from each core local government. Prior to conducting the training workshops for Series B, these staff participated in a Training on Materials (ToM) workshop sponsored by BIGG's training team from August 4-6, 2003.

These same staff also participated in a Training on Materials workshop for the Workshop C Series from September 1-3, 2003. This quarter, the Field Operations Team conducted Workshop C for three satellite local governments (Serang, Sragen, and Tanah Datar). The remaining nine satellite local governments will receive training on Workshop C next quarter (currently scheduled for October 2003).

After participating in the Workshop A series, local governments were required by the Memorandum of Understanding to prepare and submit to BIGG three program deliverables, namely a budget calendar, budget instructions, and a public information and involvement plan. Under the same MOU, BIGG is required to provide them samples of each deliverable. BIGG developed and distributed a sample budget calendar in June, a sample draft public information and involvement plan in July 2003, and sample draft budget instructions in August, 2003. The Team Leaders and Local Coordinators provided on-site technical assistance on how to prepare these deliverables through two field visits to each local government's focus area. The Team Leaders and Local Coordinators also provided feedback on these deliverables after the local governments submitted their first draft of each deliverable.

Ten local governments submitted their final budget calendars to BIGG in June, three in July, two in August, and three in September, for a total of eighteen. Sixteen local governments submitted their draft public information and involvement plan in July. Nine have submitted their final public information and involvement plan as of September 30, 2003. Only five local governments have submitted their draft budget instructions as of September 30, 2003.

The table below summarizes the status of the local governments' submission of draft and final versions of the program deliverables and BIGG's feedback on them.

Deliverables Status as of September 2003

Local Government	Budget Calendar Submitted	Reviewed by FO Team	Public Info and Involvement Plan submitted	Reviewed by FO Team	Budget Instruction submitted	Reviewed by FO Team
Bukittinggi	Final	Yes	First Draft	Yes	Not yet	Not yet
Solok	Final	Yes	First Draft	Yes	Not yet	Not yet
Tanah Datar	Final	Yes	First Draft	Yes	Not yet	Not yet
Bogor	Final	Yes	Final	Yes	Not yet	Not yet
Serang	Final	Yes	First Draft	Not yet	Not yet	Not yet

Tangerang	Final	Yes	Not yet	Not yet	Not yet	Not yet
Sukoharjo	Final	Yes	Final	Yes	Not yet	Not yet
Boyolali	Final	Yes	Final	Yes	Not yet	Not yet
Klaten	Final	Yes	Final	Yes	Not yet	Not yet
Pati	Final	Yes	Final	Yes	Not yet	Not yet
Kudus	Final	Yes	Final	Yes	Not yet	Not yet
Sragen	Final	Yes	Final	Yes	Not yet	Not yet
Samarinda	Final	Yes	First Draft	Yes	First Draft	Yes
Bontang	Final	Yes	First Draft	Yes	Not yet	Not yet
Kutim	Final	Yes	First Draft	Yes	First Draft	Yes
Gowa	Final	Yes	First Draft	Yes	First Draft	Yes
Sidrap	Final	Yes	First Draft	Yes	First Draft	Yes
Pangkep	Final	Yes	First Draft	Yes	First Draft	Yes

Papua Program: The three participating local governments (kabupaten) in Papua received the three-part ABC Workshop series this quarter, with the exception of Manokwari which is scheduled to receive Workshop C in October 2003. Before delivering the workshop in the field, the Papua Team Leaders and Local Coordinator participated in the Training on Materials (TOM) for Workshop A in Sorong, Papua, in July 2003. They also participated in the TOM Workshops B and C during August and September in Jakarta. After participating in the three-part ABC workshop series, the three local governments have already submitted their final budget calendar and first draft of their public information and involvement plan. The Team Leaders have already reviewed and provided written feedback on these two deliverables.

Sleman Special Project: A Memorandum of Understanding between BIGG/ICMA and Kabupaten Sleman was signed on July 25, 2003 in Sleman. A preliminary needs assessment was conducted by US consultant Paul Young, Irianto, Field Operations Director, and CCN consultant Syarifuddin. Syarifuddin is a financial management expert and an Indonesian professor at the University of Hassanuddin who was hired as a consultant to lead the Sleman project implementation. He will work closely with Irianto and Indri Nugraheni (Local Coordinator) in Sleman. Accomplishments as of September 2003 are as follows: revised education budget documents to include programs and performance indicators; revised budget and accounting codes to include program and activity; and the introduction of a requirement so that transactions are recorded on activities within a program.

Training and Publications

Regional Conferences: In July, BIGG's training team jointly sponsored four of six one-day regional conferences with two of Indonesia's local government associations - APEKSI and APKASI. The conferences took place on July 1 in Yogyakarta, July 3 in Mataram, July 8 in Pontianak, and July 10 in Manado. The first two workshops were conducted in the previous quarter.

The first half day of each regional conference provided an opportunity for local government participants to network with each other; exchange information related to implementing performance-based budgeting; promote interregional cooperation; and hear speakers from the Ministry of Home Affairs and Ministry of Finance provide timely and relevant information

on issues affecting the implementation of performance budgeting. Keynote speakers from the central government included Dr. Supomo Prodjoharjono (Ministry of Home Affairs), Dr. Mulia P. Nasutian (Ministry of Finance - BAKUN), and Dr. Abdul Halim (University of Gajah Mada). Topics presented included the status and impact of the accounting standard on the implementation of performance budget in local governments and how performance budgeting can be used in preparing the Mayor's accountability report. A press conference was held during the conference which provided an opportunity for Machfud Sidik to address the national and local media.

The second half day of each regional conference provided an opportunity for APEKSI and APKASI to solicit information from the workshop participants on training topics that the local governments would be willing to pay for in the future. This information will be used in the next quarter when BIGG works closely with the Association Partners to develop training materials for a one-day workshop that each association will deliver to the members for a fee.

Local Government Participants in Regional Conferences

Apeksi Region	Total Local Governments	# Participants
Region I: Medan	26	37
Region II: Lampung	15	20
Region III: Yogyakarta	31	39
Region IV: Mataram	18	30
Region V: Pontianak	13	46
Region VI: Manado	21	46
Total Participants	124	218

Province Model: In this quarter, BIGG's Training Team conducted one 2-day Training of Trainers workshop for the Province Model in South Sulawesi for the Workshop B series. At the end of May, the province of South Sulawesi signed an MOU with BIGG to receive a three-part training of trainers workshop on performance budgeting. The Vice-Governor of South Sulawesi is the former Mayor of Gowa, who has been an active participant in the BIGG program for the past two years. At his urging, the province model was accelerated by six months (originally scheduled for early 2004) to allow South Sulawesi to become the first province this year to receive training from BIGG under the Province Model. Thirty trainers from the province of South Sulawesi participated in a Training on Materials (TOM) on Workshop A and B. The TOM was conducted by BIGG's training pool, consisting of trainers from BIGG's full-time training staff and UGM and UNHAS. The impact of delivering the model six months early is that the workshops could then be redelivered to the local governments by the provincial trainers so that the new concepts and practices could be implemented in the 2004 budget cycle rather than in the 2005 budget as originally planned.

The MOU requires that the province trainers conduct Workshop A for at least 12 of the 24 local governments (kota and kabupaten) in their province before they receive the TOM on Workshop B. In fact, the provincial trainers trained 8 out of 24 kota/kabupaten in the province. While this is only one third of the kota/kabupaten, the provincial training center has increased the number of local government participants from each kota/kabupaten from two to five participants. Therefore, they are getting better coverage within a local government, but not covering as many local governments as originally promised in the MOU. The provincial trainers have stated that they are committed to training the rest of the local governments in 2004.

In the Province Model, BIGG's Training Team also assisted the Province of South Sulawesi with preparing a monitoring and evaluation report regarding the impact of the Provincial Model on the local governments' that received BIGG's training. The results of this interim report will be compiled into a final report evaluating the Province Model that will be submitted to USAID under separate cover at the end of the BIGG Program.

Participants in the Province Model in South Sulawesi

Participants	TOM Workshop A	TOM Workshop B
Local government staff	6	2
Province staff	20	16
University Staff	4	4
Total	30	22

South Sulawesi Local Governments Trained by Provincial Trainers

1. Kota Pare-Pare
2. Kabupaten Barru
3. Kabupaten Enrekang
4. Kabupaten Pinrang
5. Kabupaten Soppeng
6. Kabupaten Luwu
7. Kabupaten Bantaeng
8. Kabupaten Jeneponto

Peer to Peer (P2P) Model: This quarter, the P2P Model was launched in eight locations, to be followed by four more locations next quarter. The interactive discussions at BIGG's P2P workshops were lively and dynamic and represent some of the few opportunities that peers from neighboring jurisdictions have had to interact with each other. Numerous P2P participants have requested and received copies of BIGG's training materials so that they can facilitate training workshops for their staff.

Prior to the actual P2P workshops, BIGG's training team conducted a 4-day Training of Trainers workshop for staff and training partners who would then become the trainers/facilitators at the P2P workshops. Participants in the TOT workshop included six staff from UGM, six from UNHAS, and six staff from the Ministry of Finance. Six staff from the Ministry of Home Affairs (MOHA) were invited to participate in the TOT. While MOHA confirmed their attendance, none of them showed up at the TOT, which precluded their continued participation as trainers/facilitators at the P2P workshops. However, MOHA staff were invited to participate as observers at the actual P2P workshops. One MOHA staff was sent to observe the following P2P workshops: Jambi, Yogyakarta, Bandung, Mataram, Banjarmasin, and Manado.

Local Government Participants in the P2P Model

Region I	Local Governments	# Participants
1. Location: Medan 1	1. Kota Medan	3
	2. Kab. Toba Samosir	3
	3. Kota Binjai	6
	4. Kab. Deli Serdang	9
	5. Kab. Asahan	1
	Subtotal	22
2. Location: Medan 2	1. Kab. Pidie	4
	2. Kab. Aceh Utara	4
	3. Kab. Nias	3
	4. Kab. Mandailing Natal	2
	5. Kota Tanjung Pinang	5
	6. Kab. Padang Sidempuan	5
	Subtotal	23
Region II	Local Government	# Participants
3. Location: Bukittinggi	1. Kab. Pesisir Selatan	4
	2. Kota Payakumbuh	2
	3. Kab. Kuantan Sengingi	3
	4. Kab. Sawahlunto	2
	5. Kota Padang	2
	Subtotal	13
Region III	Local Government	# Participants
4. Location: Bandung	1. Kota Cimahi	4
	2. Kota Sukabumi	4
	3. Kab. Garut	3
	4. Kota Cirebon	4
	5. Kab. Purbalingga	4
	Subtotal	19
Region IV	Local Government	# Participants
5. Location: Mataram	1. Kota Mataram	4
	2. Kab. Dompu	2
	3. Kota Kupang	3
	4. Kab. Kupang	5
	5. Kab. Lombok Tengah	4
	6. Kota Bima	2
	Subtotal	20
Region V	Local Government	# Participants
6. Location: Pontianak	1. Kota Pontianak	1
	2. Kab. Sanggau	1
	3. Kab. Sambas	3
	4. Kab. Bengkayang	7
	Subtotal	12
	GRAND TOTAL	109

Training Pool Participants in P2P Model

P2P Training Pool	# Participants
BIGG Training Team	7
Association Partners	2
Universities (UGM/UNHAS)	12
Ministry of Finance	6
Ministry of Home Affairs	0
Total	27

Association Model: Work began on the Association Model this quarter. Staff from two association partners (Bagus from APEKSI and Adriansyah from APKASI) are taking the lead, with support from BIGG, to select workshop topics, prepare Terms of References, agendas, workshop materials, participant lists, and pricing systems for a one-day workshop that each association can deliver to their members.

Plans were also made for the two association partners to expand their role on the BIGG program beyond the training team to other areas of the Task Order. These expanded roles would include participating in Field Operation's visits to BIGG's partner LGUs to observe the Team Leaders provide on-site consulting services related to the preparation of budget instructions, public information and involvement plans, and performance based budgets. This will enable the association partners to gain more in-depth understanding of their local government member's concerns and issues when implementing performance budgeting as well as developing skills and models for providing on-site consulting services from the associations to their members. These field visits are scheduled to take place in early October and November.

Training of Trainers for the K2K Model B and C Workshops: BIGG's Training Team also conducted two 3-day Training of Trainers workshops for the K2K B and C workshop series. Those receiving the training included BIGG's Team Leaders, Local Coordinators, and two staff from the six core (Inti) local governments. The actual implementation of these workshops for the twelve satellite local governments was subsequently conducted by the Field Operation's Team.

Participants at K2K TOM B and C

Training Pool	# Participants
Team Leaders & Sleman Coordinator	8
Local Coordinators	21
Training Team	3
Trainers	3
Association Partners	2
Universities	2
Total	39

Performance Based Budget Assessment Workshop for the Core Consulting Team (CCT): The Training Team conducted one 2-day Performance Based Budget Assessment Workshop for the Core Consulting Team, comprised of Team Leaders, Local Coordinators, BIGG's Training Team and Association Partners.

Participants at Performance Based Budget Assessment Workshop

Training Pool	# Participants
Team Leaders	7
Training Team	7
Association Partners	2
Total	16

Publications and Other Activities: In Quarter 12, the Training and Publications Team also did the following:

- Completed the Training and Publications Strategy.
- Completed a report entitled “Changes in the Local Government Structure for Budgeting Process” (to be submitted to USAID under separate cover).
- Attended an introductory meeting with the new USAID Mission Director, Mr. William Frej.
- Prepared and secured signed letters of agreement with staff from the Ministry of Home Affairs, the Ministry of Finance, the University of Gaja Madah, and the University of Hasanuddin to participate in BIGG’s training pool.
- Prepared written bilingual documentation of all training events conducted in Quarter 10 and 11.
- Developed, printed and distributed a bilingual version of The BIGG Picture Edition 24 on How to Write Vision, Mission, Goals, Objectives, and Activities.
- Prepared The BIGG Picture Editions 25 and 26 on Resource Cities, which will be published in Quarter 13.
- Ongoing development of materials for the Performance Budgeting Reference Manual.
- Ongoing development of materials for the Local Government Consulting Reference Manual.

ICMA Annual Conference: A delegation of five officials representing local government and the Ministry of Finance traveled to the Charlotte, North Carolina area in mid-September to participate in a study tour and attend the 2003 ICMA Annual Conference (Sept 20-24, 2003).

The local government study tour schedule and topics gave the Indonesian delegates a good introduction to how US local governments carry out their budgeting and financial reporting, a close look at how planning is carried out, and a view of a very well organized public works department. The ICMA Annual Conference provided the delegates exposure to local economic development and the opportunity to experience a very well run conference attended by over 3,000 people.

Members of the Indonesian delegation included the following officials: Mr. Arlen T. Pakpahan (Director of Local Expenditures and Loans from the Ministry of Finance), Mr. Kajatmiko (Director of Fiscal Balance, Ministry of Finance), Mr. Syahrul Yasin Limpo, (Deputy Governor of South Sulawesi), Mr. Wahidin Puarada (Bupati of Fak-fak, Papua) and Mr. Bambang Riyanto (Bupati of Kabupaten Sukoharjo). Dr. Geoffrey Swenson accompanied the Indonesian delegation during the delegates’ entire stay in the US. Mr. Jon Bormet, Director of the Resource Cities Program at ICMA, designed and led the study tour to the Charlotte area local governments. A delegation from India and Sri Lanka also joined in this tour of cities prior to the ICMA Annual Conference.

Administration

This quarter, BIGG has completed hiring personnel to support the Papua program as follows:

- | | | |
|-------------------------------------|---|---------------|
| 1. Team Leader for Kab. Fak Fak | : | Arham Rauf |
| 2. Local Coordinator Kab. Fak Fak | : | Wahyu Lesmono |
| 3. Local Coordinator Kab. Sorong | : | Gritje Korobu |
| 4. Local Coordinator Kab. Manokwari | : | Tajuddin |

BIGG also opened a representative office in Kabupaten Fak Fak located on Jl. Kapten Napitupulu, Wagom, Kab. Fak Fak; phone: 0956 23048.

III. Challenges/Issues of Concern Affecting Implementation and Actions Taken

The bombing of the JW Marriott hotel in July has increased the already heightened tensions toward American interests in Indonesia. However, there has been no direct impact on BIGG staff or its program delivery.

The ongoing conflict between the Ministry of Home Affairs (MOHA) and the Ministry of Finance (MOF) regarding who will be the final authority for local government finance issues continues. To date, there is still no definitive word from the central government about what the accounting structure for local governments will be. Currently the LGUs are using the accounting and budgeting classification structure promulgated by MoHA but there is anticipation that eventually the required accounting and budgeting structure will be changed to one issued by the MoF. BIGG continues to work under the MOHA model, but anticipates that the MOF will release its own model.

The MOF has demonstrated its strong commitment to BIGG and sent eight of its staff to BIGG's Training on Materials (TOM) workshop for the P2P Model. These eight staff are participating as trainers in the P2P Model and one to two of them are attending every P2P workshop. The MOHA did not send any of its staff to the TOM for the P2P Model. MOHA had sent six names of staff who would attend, but ultimately none showed up. BIGG extended an invitation to MOHA staff to attend the P2P workshops as observers, not trainers. MOHA sent two staff as observers to one workshop each.

The implementation of the P2P workshops has generated an increased demand for on-site consultancies to assist with the preparation of performance budgeting on the part of the P2P participants. BIGG has disseminated electronic copies of all of its training materials to those participants who have requested it so that they can replicate and scale up the training in their own communities, if they choose to do so. The challenge remains as to how to offer more P2P workshops beyond the 72 local governments in 12 locations covered in the P2P Model. If additional P2P workshops were to be offered to reach more local governments, June to October 2004 is the ideal time as it synchs up with the local government budget preparation cycle.

This quarter, the Field Operations team worked under a very tight schedule to complete the three-part ABC workshop series in the K2K model and keep the three local governments in Papua on the same schedule for the three-part workshop series. On top of this busy training schedule, the field operations team delivered its on-site consulting assistance to all local governments in the K2K Model to assist them with the preparation of their program

deliverables. Due to this tight scheduling, it was necessary to delay the feedback on the 2003 performance budgets submitted by the eighteen local governments from Year One and Year Two until next quarter.

BIGG also experienced a delay in completing and distributing the final samples of two program deliverables to the local governments, namely the sample budget instructions and public and information and involvement plan. BIGG's Field Operations and Training Team conducted a two-day workshop in August to draft these samples, which were then distributed to the local governments in draft form. Based on feedback from the local government partners, these samples will be finalized next quarter and included in the PBB Reference Manual.

IV. Projected Activities for the Next Quarter

Field Operations:

- Conduct the second of four information sharing workshops in the K2K Model.
- Conduct performance assessments of the selected focus area 2003 performance budgets for eighteen local governments (graduate and Inti) from Year One and Year Two of the program.
- Conduct K2K Workshop C for nine satellite local governments.
- Conduct K2K Workshop C for Kabupaten Manokwari in Papua.
- Y3 LGUs (core and satellite) will submit their final public information and involvement plans and final budget Instructions for review by BIGG.
- Y3 LGUs (core and satellite) will submit the first and final drafts of the performance budget for their selected focus area. BIGG will review the first draft only by next quarter. The final review will be conducted in the following quarter.

Training and Publications:

- Conduct training workshops in the P2P (Peer-to-Peer) Model in four remaining locations.
- Redesign and conduct one 2-day Training of Trainers workshop for the Province Model in South Sulawesi for the Workshop C series.
- Develop and conduct a half-day workshop for the Governor and senior level officials in South Sulawesi on an introduction to performance budgeting.
- Design and implement two 4-day Training on Materials on Performance Reporting for the Team Leaders, Local Coordinators and Training Team.
- Assist the Association Partners in designing materials (e.g., terms of reference, agenda, and workshop materials) for a one-day workshop that will be implemented by the two associations (APEKSI and APKASI) as part of the Association Model.
- Continue preparing the performance budgeting reference manual.
- Continue preparing the Local Government Consulting Manual.
- Prepare and distribute The BIGG Picture Editions 25 and 26 (highlighting Resource Cities) and Edition 27 (highlighting local government Best Practices compiled by the associations).